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| Chapter Study Guide Economic Decisions and Systems | | | | | | | | |
| Part 1 True or False **Directions**Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false. | |  |  | | | | | |
| Answers | | | | | |
| 1. | A compact disc player is an example of a need. | | | 1. | | |  | |
| 2. | Tangible products you can purchase to meet your wants and needs are called goods. | | | 2. | | |  | |
| 3. | When you decide to buy a jacket instead of a concert ticket, you are making a tradeoff. | | | 3. | | |  | |
| 4. | Capitalism is another name for a traditional economic system. | | | 4. | | |  | |
| 5. | Competition forces businesses to search for new ways to satisfy customers’ wants and needs. | | | 5. | | |  | |
| 6. | The market price for a product is the point where demand exceeds supply. | | | 6. | | |  | |
| 7. | Economists predict future changes in the economy. | | | 7. | | |  | |
| 8. | China is the largest producer of goods and services in the world. | | | 8. | | |  | |
| Part 2 Multiple Choice **Directions**In the Answers column, write the letter that represents the word, or group of words, that correctly completes the statement. | |  |  | | | | | |
| Answers | | | | | |
| 9. | The basic economic problem is (a) having unlimited wants and needs but limited economic resources (b) deciding what goods and services to produce (c) identifying the goods and services available to you (d) determining how to satisfy needs and wants. | | | | | 9. | |  |
| 10. | An important principle of the U.S. economic system is (a) the right to private property (b) the freedom of choice (c) competition (d) all of the above. | | | | | 10. | |  |
| 11. | If freezing weather damages orange crops in Florida (a) the demand for oranges will decrease (b) the price of oranges will increase (c) the supply of oranges will remain unchanged (d) the price of orange juice will decrease. | | | | | 11. | |  |
| 12. | Water, air, and minerals are examples of (a) consumer resources (b) natural resources (c) capital resources (d) human resources. | | | | | 12. | |  |
| 13. | If you decide to purchase a DVD of your favorite movie instead of a pair of jeans, the value of the jeans is the (a) market price (b) profit (c) opportunity cost (d) tradeoff price | | | | | 13. | |  |
| Part 3 Matching **Directions**In the Answers column indicate which economic system is best described by each statement.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | A. | controlled economy | C. | traditional economy | | | B. | market economy | D. | mixed economy | Answers | | | | | | | | | |
| 14. | Resources are owned and controlled by the people of the country. | | | | 14. | |  | |
| 15. | The government decides what and how goods are produced. | | | | 15. | |  | |
| 16. | Workers often use hand tools and readily available natural resources. | | | | 16. | |  | |
| 17. | As countries become more developed, they often adopt this economic system. | | | | 17. | |  | |
| 18. | Consumers base their decisions on their own self-interest. | | | | 18. | |  | |

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| 19. | Review your own recent purchases and observe newspaper ads or store signs that feature price changes. In the following table, list five examples of products or services for which you have noticed price changes. Identify the product or service; show whether the price change was an increase or decrease; and identify the reason for the price change. | | |
|  | Product or Service | Price Increase or Decrease? | Reason for Price Change |
| 20. | The graph below represents the supply and demand for music CDs. Using the data provided in this graph, write a paragraph discussing the relationship between supply and demand. Why is it important for businesses to have this type of information when producing or selling a product? Based on the information provided, what is the market price for music CDs? | | |
| 21. | For the past three years, Marci and Jeff have operated a small bake shop in their suburban neighborhood. Through their hard work and positive word-of-mouth advertising, the business has grown. Now Marci and Jeff are exploring ways to expand the business. They like their current location and have built a loyal customer base there, so they do not want to relocate. Since it is not possible to enlarge their current bake shop, they have considered opening a second location in another part of town. This would give their business exposure to new customers, but it would require them to lease space, purchase ovens and other equipment, and hire and train new employees. Also, one of them probably would have to move to the new location to oversee operations. Another option is for Marci and Jeff to sell their baked goods to other businesses in town, such as restaurants and small grocery stores, for resale to their customers. That option would allow both Marci and Jeff to remain in their current location, but it would require them to upgrade their current ovens and add additional employees to handle the increased production. They also would need to hire a salesman to contact local companies and purchase a delivery vehicle and hire a driver to deliver the baked goods to locations around town. Use the steps in the decision-making process to help Marci and Jeff decide which option to pursue. | | |
|  | What is the problem Marci and Jeff are facing? | | |
|  | What are the choices that Marci and Jeff must consider? | | |
|  | What are the advantages and disadvantages of each choice? | | |
|  | Which choice do you think is best for Marci and Jeff and why? | | |
|  | What should Marci and Jeff do once they have decided how they will expand their business? | | |